# THE MONEY TRAIL

Of the approximately 400 facilities used by the Department of Homeland Security to detain immigrants, only 8 of these are ICE-owned and operated. In addition, ICE contracts with over 300 local or county facilities through intergovernmental agreements, private prison corporations and the federal Bureau of Prisons.

The delegation of the federal task of detention to private and local facilities has its origins in the 1980s during a time of accelerated privatization in all sectors. The government's contracting out of detention management is rationalized as more efficient and cost-effective. However, detention and deportation have become multi-billion dollar industries with numerous human costs:

- Detention contracting creates an additional layer of opaqueness in an already complex and impenetrable detention system, making oversight of detention standards and securing of detainee rights even more difficult.
- The delegation of detention management reduces ICE's incentive to utilize more humane alternatives to detention, even though alternatives may be more cost-effective.
- Private companies and local governments vie for contracts to expand ICE detention bed space at an average price of $95/day per bed in a process that both lines corporate pockets with taxpayer money and turns human beings into commodities.
- The use of prisons, local jails, and private prison companies for immigration detention further enmeshes immigrants in the criminal justice system, attaching a stigma of criminalization to persons who are in civil administrative proceedings.
- Detention contracting allows both the federal government and contract facilities to cut financial corners in providing immigrants with adequate care and basic necessities, resulting in regular reports of egregious detention conditions that violate U.S. and international human rights laws.

**Who Profits?**

Private Prison Corporations

Revenues and stock prices are skyrocketing for private prison companies that build immigration prisons, like Corrections Corporation of America (CCA) and the GEO Group, Inc. These companies have an incentive to urge the government to build more jails, and in fact, regularly lobby in Washington, DC for more detention, even if it is not the most effective use of taxpayer dollars.

The first private prison in the U.S. was an immigration detention center. In 1983, CCA won the first federal contract to build a facility in Houston, Texas. Before the facility was even finished, CCA began detaining immigrants in rented motel rooms. Both the Houston Processing Center and the Wackenhut-operated (a division of GEO Group) Aurora Processing Center opened in 1984.

Ohio Congressman Ted Strickland, a former correctional officer, testified in 2000: "For-profit prisons have created a multi-billion dollar industry and are as likely to be traded on Wall Street as be listed as defendants in litigation."

[Source: Mark Dow, American Gulag (University of California Press, Berkeley, 2004)]

**Corrections Corporation of America**

"We've never seen the wind at our back like it is today."
-CCA President and CEO John D. Ferguson, May 2006

CCA is number one in America for detention contracts, and has made record profits every year since 2003. CCA boasts being the sixth largest corrections system in the U.S., behind only 4 states and the federal government. CCA operates 65 facilities in 19 states and the District of Columbia with more than 75,000 beds and nearly 17,000 employees. 12 of CCA's facilities are used to hold immigration detainees.

CCA has been able to charge up to $200/day per bed in the Don T. Hutto family detention facility in Texas.

In 2007, CCA earned $1.5 billion in revenue with a net income of $133 million.

**GEO Group, Inc.**

GEO Group is one of the largest security firms in the world and the nation's second largest for-profit prison operator. GEO operates 50 facilities in 16 states and one in Guantanamo Bay.

In 2007, GEO Group earned $1.02 billion in U.S. revenue with a net income of $41.8 million.

**Other Security Firms with ICE Contracts**

- **Cornell Corrections, Inc.**
- **Management and Training Corporation**

**City and County Governments**

Over 300 city and county governments across the country have contracts with ICE to set aside bed space for immigrants. Many seek out such contracts with the aim of generating extra revenue, which only furthers the commoditization of immigrant detainees. 67% of immigrants in administrative ICE custody are housed in local facilities, often alongside prisoners serving criminal sentences.

U-T SPECIAL REPORT

# Detention dollars

**Tougher immigration laws turn the ailing private prison sector into a revenue maker**

**By Leslie Berestein**
STAFF WRITER

**May 4, 2008**

At the beginning of the decade, the private prison industry was in a tailspin. After several profitable years in the 1990s, companies contracting prison beds to public corrections agencies were losing revenue at an alarming rate.

CRISTINA MARTINEZ-BYVIK / Union-Tribune

Capital earned during the 1990s had been poured into a speculative prison-building boom that backfired. State corrections agencies, a mainstay of what was then a relatively new industry, had begun pulling inmates out. There were too many prison beds and too few prisoners.

"They basically had overbuilt," said Anton Hie, an analyst in the Nashville office of Jefferies and Co. who covered industry leader Corrections Corporation of America and its closest competitor, the GEO Group, for several years through the end of 2006. "There was a lot of promise of new inmates that never came. ... It kind of all came crashing in."

Then, in early 2000, CCA announced a lucrative new contract. The Immigration and Naturalization Service was to house 1,000 detainees at the company's San Diego Correctional Facility in Otay Mesa, built as part of the late-1990s construction boom. The agency agreed to pay a per diem fee of $89.50 for every person held.

In a news release at the time, a company principal heralded the San Diego agreement as "one of the largest contracts ever to be awarded to the private corrections industry."

It was one of a series of federal contracts that experts credit with saving the private prison industry, and at the same time marking a turning point in the way that immigrant detainees – illegal immigrants, asylum-seekers, legal residents appealing deportation and others – are held.

"The private prison industry was on the verge of bankruptcy in the late 1990s, until the feds bailed them out with the immigration-detention contracts," said Michele Deitch, an expert on prison privatization with the Lyndon B. Johnson School of Public Affairs at the University of Texas in Austin.

As increasingly tough immigration laws have called for the detention and deportation of ever more immigrants, the demand for bed space by immigration authorities has helped turn what was once a dying business into a multibillion-dollar industry with record revenue and stock prices several times higher than they were eight years ago.

In San Diego, CCA is in the permitting process to build a nearly 3,000-bed

facility that the company hopes will be used by U.S. Immigration and Customs Enforcement, or ICE. It would hold more than four times the detainees held in Otay Mesa now.

Federal contracts from three agencies – ICE, the U.S. Marshals Service and the Bureau of Prisons – account for 40 percent of the 2007 revenue of CCA, which controls almost half of the private prison beds in the United States. Thirteen percent of the company's revenue, which hit a record of nearly $1.5 billion last year, comes directly from ICE. The company reported a net income of $133 million last year.

The competing GEO Group, formerly known as Wackenhut Corrections Corp., credits the three agencies for 27 percent of its operating revenue last year, with ICE responsible for 11 percent. The company, which earned total revenues of $1.2 billion in 2007, runs the Western Regional Detention Facility in downtown San Diego, a U.S. Marshals Service prison from which ICE rents short-term space.

Other prison players that have benefited from immigration-detention contracts include the Cornell Cos., based in Texas, and Management and Training Corp., a privately held Utah company that in 2006 opened what is now the nation's largest ICE facility, a set of tentlike structures in Willacy, Texas, that holds 2,000 people and will soon hold more. A 1,086-bed expansion was completed in March.

Detention contracts are not the only ones fueling the recent growth of prison companies, which have benefited from other federal contracts while enjoying a resurgence in demand for state prison beds.

However, it's the federal contracts that pay best, experts say. Housing federal detainees typically brings in more per “man-day,” an industry term for what is earned per detainee. Companies also house immigrants for other federal agencies. CCA and GEO Group, for example, contract with the Bureau of Prisons to house foreign-born inmates under a federal “criminal alien” program. Both companies contract extensively with the U.S. Marshals Service, which receives federal funding to hold a growing number of immigrants being prosecuted for illegal re-entry after deportation.

“The federal system over the last five to seven years has been by far the largest-growing part of the (private prison) system, and it is because of the immigrant-detainee population,” Deitch said.

For the federal government, the appeal of contractors is obvious: According to ICE, the agency spent $119.28 per day on average last year to house a detainee at an agency-run facility, compared with $87.99 per day at a contract detention facility.

## Empty beds to riches

The private prison industry as it exists today dates to the 1980s, when state governments were grappling with overcrowding. Tougher sentencing guidelines created demand for more prison space, but many states lacked the funds and political support to build it.

The industry did well meeting this demand for several years, but it was almost done in a decade later by overexpansion and other problems. By the end of the 1990s, the industry was in “capital destruction mode,” said Hie, the analyst.

“They were victims of their own success,” Hie said. “They had so much money to spend on new prisons that they went out and did it.”

At the same time, the industry was rocked by a series of highly publicized escapes, riots and other scandals, among them a 1996 videotape showing inmates in a now-defunct firm's Texas prison being kicked by officers and attacked by dogs, which prompted an FBI investigation.

“Many states started learning that they were not saving money, and more importantly, that there were a lot of liabilities associated with privatization,” Deitch said. “A lot of states stopped contracting.”

CCA's stock value took a dizzying tumble, falling from a high of $70.13 on Jan. 1, 1998, to $1.15 on the same date three years later. In the third quarter of 2000, the company reported a net loss of $253.7 million.

Rival Wackenhut's stock price, while not nearly as high, dropped to less than a third of its value between early January 1998 and 2001. Some smaller companies went out of business, Deitch said.

Fortunately for the industry, the federal government began seeing a surge in demand around this time, fueled by federal drug-sentencing laws that had created more inmates and tougher 1996 immigration laws that made more immigrants deportable.

In 2000, the federal Bureau of Prisons entered into an agreement with CCA to house foreign-born convicts in a California City prison, initially built on speculation in the late 1990s to house state prisoners that didn't arrive.

The same year, CCA announced its immigration-detention contract in San Diego.

Since then, new immigration policies that focus on detaining and removing deportable immigrants have become commonplace, leaving federal immigration authorities with insufficient space to house them.

The industry leaders' stock prices have rebounded. Since 2001, CCA shares have split twice and multiplied tenfold, closing Friday at $26.17. The GEO Group, which changed its name from Wackenhut Corrections in 2003, has also completed two stock splits and seen its stock value jump from roughly $2.50 a share in early January 2001 to $26.76 Friday.

Meanwhile, the industry has broadened its political influence, spending more to lobby agencies such as the Department of Homeland Security and the Bureau of Prisons. CCA alone boosted its federal lobbying expenses from $410,000 to $3 million between 2000 and 2004, according to the Center for Public Integrity.

Immigration-detention contracts can make or break quarterly profits. In its fourth-quarter 2007 financial data, the Cornell Cos., which had flat revenue last year, partly blamed a $2 million loss on the withdrawal of ICE detainees from a troubled facility in Albuquerque, N.M.

CCA, meanwhile, credited part of its success last year to revenue from ICE moving into a Georgia prison on which construction began in 1999 but was suspended a year later for lack of clients.

## A new building boom

Now, as in the late 1990s, the industry is on a building spree. CCA is building or expanding nine facilities around the country for federal, state or undetermined customers. This does not include the company's planned megaprison in San Diego, which has yet to obtain county approval.

In October, the GEO group announced it would add 1,100 beds to its ICE contract facility in Aurora, Colo. According to its most recent financial report from 2006, the company opened or expanded half a dozen facilities that year.

Unlike a decade ago, analyst Hie said, there is more demand to support the latest building boom. Strong demand also helps companies push terms favorable to them. “Take or pay” arrangements such as the one at Otay Mesa, where ICE must pay for a set occupancy level even if beds go unfilled, are commonplace.

The demand from ICE is staggering: Last year, all of the agency's 3,619 new detention beds were contracted.

Agency officials said there are no plans to build any more federally run detention centers, leaving contractors to fill the void.

During the February conference call, CCA executives told investors that ICE was planning to privatize three of its detention centers in California and Arizona. The agency has three facilities in these states – in El Centro, San Pedro and in Florence, Ariz.

“We estimate the capacity is somewhere at 11,000 beds,” said CEO John Ferguson.

Asked about this claim, ICE spokeswoman Pat Reilly in Washington, D.C., replied in an e-mail that the contractor was in error and no such plans were imminent. However, she added, “privatization is always an option.”

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*The New National Imperative*

# Imprisoning Immigrants for Profit

By TOM BARRY

There is a codependent relationship between the private prison industry and the federal government's immigration enforcement apparatus. Immigrant detention jumpstarted the two largest prison companies—Corrections Corporation of America (CCA) and GEO Group—in the prison industry.

The Immigration & Naturalization Service (INS) contracted CCA in 1983 and GEO (then Wackenhut Services, Inc.) in 1987 to provide prison beds for detained immigrants. These INS immigrant detention centers were among the first private prisons in the United States.

Although the federal government initiated the privatization of prisons, state governments quickly followed the INS lead. Throughout the late 1980s and the1990s state outsourcing of prisoners drove the expansion of the prison industry. Harsh sentencing laws, ever-increasing drug-related convictions, and the deepening taxpayer reluctance to approve tax increases to pay for prison construction created a favorable climate for the private prison boom.

While INS led the way, other Justice Department agencies soon followed. The U.S. Marshals Service (USMS) and the Federal Bureau of Prisons (BOP) began privatizing their imprisonment responsibilities in the early 1990s. BOP's first private prison contract was in 1991 with Wackenhut Corrections.

By the year 2000, however, a spate of private prison deaths and escapes leading to some states to canceling contracts and the inability of CCA and others to find enough inmates to fill the "speculative" prisons it was building caused the industry's profits and the stock to tumble. But after a brief scare, the industry saw its fortunes soar again as INS and USMS began issuing new contracts for immigrant detention.

In 2000 the INS contracted the CCA to house 1,000 detainees at the company's San Diego Correctional Facility. The contract, in which the INS agreed to pay $89.50 per diem for each occupied prison bed, was hailed by CCA as "one of the largest contracts ever awarded to the private corrections industry." BOP also came to CCA's rescue when in 2000 it entered into an agreement with CCA to send "criminal aliens" to the speculative prison that CCA had built in California to house state prisoners that never arrived.

"The private prison industry was on the verge of bankruptcy in the late 1990s, until the feds bailed them out with the immigration-detention contracts," said Michele Deitch, an expert on prison privatization with the Lyndon B. Johnson School of Public Affairs at the University of Texas in Austin.

A San Diego Union-Tribune special report (May 4, 2008) on the prison industry summed up the conjuncture: "Fortunately for the industry, the federal government began seeing a surge in demand around this time, fueled by federal drug-sentencing laws that had created more inmates and tougher 1996 immigration laws that made more immigrants deportable."

Today, federal government contracts to detain a thousand or more detained immigrants are common, and have sparked a new wave of private prisons, particularly in the Southwest. Immigration and Customs Enforcement (ICE), the INS legacy agency that forms part of the Department of Homeland Security, now contracts all new detainee growth, as does USMS.

Through its Privatization Management Branch, BOP has over the past several years entered into five contracts with private prison operations to hold more than 10,000 "criminal alien residents." When it published its request for contract bids, BOP noted that the "officers" would be required to "house felony offenders, predominantly criminal aliens." BOP cites "flexibility" as the main attraction of prison privatization.

The BOP contract notice for the criminal alien prisons noted that privatization "provides the BOP with flexibility to meet population capacity needs in a timely fashion." Commenting on BOP's decision to privatize criminal alien detention, BOP spokeswoman Felicia Ponce said that contracts with GEO Group and CCA give BOP the "flexibility to manage a rapidly growing inmate population and to help control overcrowding."

Reeves County Detention Century during inmate uprising. Photo: AP.
The BOP currently has five contracts to house 10,243 "criminal alien residents." The contracts are with GEO and CCA, and four of the five prisons are in remote areas of western Texas—the largest of which was a $187 million contract in 2007 for "contract beds" at the GEO-run 3,700-bed Reeves County Detention Center, where immigrant inmates have recently rioted to protest deficient medical care.

Commenting on the 2007 contract, GEO president George Zoley, said, "This new long term contract is indicative of a continuing trend of lengthy contracts being awarded by the Federal Bureau of Prisons, U.S. Immigration and Customs Enforcement, and the U.S. Marshals Service, providing for increased revenue certainty for our company and a continuity of services for our federal clients. Approximately 40 percent of our present revenues are generated through similar lengthy contracts involving the three federal detention agencies and GEO-care clients."

Zoley boasted that "the Reeves County Detention Complex (the 'Complex') is the largest detention/correctional facility under private management in the world."

Two years later, when GEO Group announced its fourth-quarter earnings on Feb. 12, 2009, Zoley told representatives of investment companies vested in the private prison industry that he "was very pleased" with 2008 results. When most economic sectors are suffering and shuttering stores, GEO, CCA, and other private prison firms reported record revenues and earnings. Net income rose at GEO from $41.8 million in 2007 to $58.9 million in 2008—an increase of more than 20%.

Zoley noted that federal contracts with ICE, USMS, and BOP accounted for 37% of 2008 revenues but 50% of earnings. GEO has more than 10,000 immigrants in its prisons, two-thirds of whom are classified as "criminal aliens." He assured investors that there was "solid bipartisan support to identify and deport criminal aliens." Zoley pointed out that in 2008 Congress added $200 million to President Bush's $800 million request for ICE's criminal alien program. In President Obama's 2010 DHS budget, $1.4 billion is scheduled for programs to hunt down criminal aliens.

In its 2007 Security and Exchange Commission filing, CCA stated: "We are dependent on government appropriations." Then CCA Chairman William Andrews warned investors that

the company's high returns could be threatened by a change in the policy environment: "The demand for our facilities and services could be adversely affected by the relaxation of enforcement efforts ... or through the decriminalization of certain activities that are currently proscribed by our criminal laws."

Although booming largely because of the surge in immigrant inmates, the private prison industry is also facing a barrage of criticism from immigrant advocates and civil libertarians.

Emblematic of the legal backlash against the private prison industry's role in immigration imprisonment, a lawsuit filed in 2007 (and settled in June 2008) by the American Civil Liberties Union against ICE and CCA charged that the San Diego Correctional Facility—the same detention center that had help revive CCA in 2000—was grossly overcrowded and its unsafe conditions violated inmate civil rights. At the time immigrant inmates were obligated, among other things, to sleep on the floor near toilets and had little access to mental health care.

Jody Kent, public-policy coordinator for the ACLU's National Prison Project, told the Wall Street Journal: "We have serious concerns about for-profit prison companies because they are notorious for cutting essential costs that need to be provided to maintain a safe and constitutional environment for prisoners." The lawsuit was settled in June 2008.

But neither lawsuits nor inmate protests seem to worry the private prison industry. Backed by hefty liability insurance policies—which are usually paid for by the county governments that actually own the immigrant prisons—private prison companies routinely offer investors rosy forecasts of future profits. Both GEO Group and CCA say that the deepening economic downturn has several silver linings for their business, including new incentives for government to privatize given increasing difficulty of securing tax income for prison construction and an increased supply of cheap labor.

As GEO's Zoley sees it, the prison industry will benefit from a new "national imperative" in these difficult economic times "to protect American workers by detaining and deporting immigrants."

**Tom Barry** directs the TransBorder Project of the Americas Program (www.americaspolicy.org) at the Center for International Policy in Washington, DC. He blogs at http://borderlinesblog.blogspot.com/.

# Why Texas Still Holds 'Em

***Forget oil and gold. In the Lone Star state, the boomtown business is locking up immigrants.***

*— By Stephanie Mencimer*

**July/August 2008 Issue**

In 1997, with the private prison business booming, the Corrections Corporation of America picked a 64-acre plot near Austin, Texas, for its newest lockup. A medium-security prison, it was named after the company's cofounder and designed for some 500 federal inmates. But the anticipated stream of prisoners never arrived: By the time the T. Don Hutto Correctional Center opened, a glut of private prison beds, along with cca's own poor track record, had left the company nearly bankrupt. Its stock, which once traded at around $45 a share, bottomed out at 18 cents. Several of its facilities were shuttered or sat empty for years, including the Hutto prison, which cca moved to close in 2004.

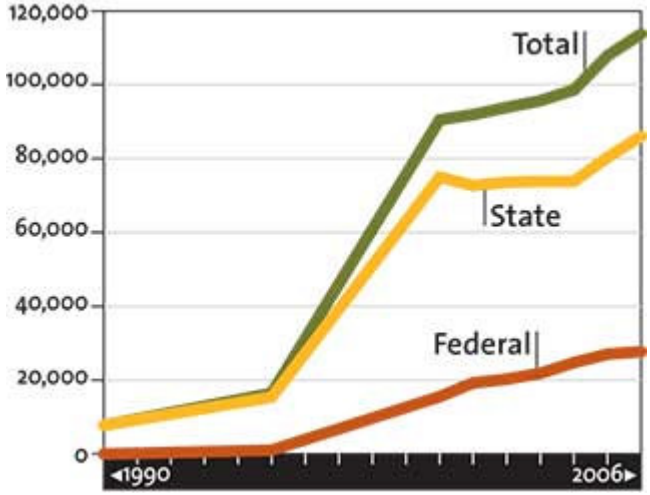
But Hutto, like cca itself, has risen from the ashes thanks to a sudden source of new business: the Bush administration's crackdown on immigrants. Historically, Mexicans caught illegally entering the country have been dumped back across the border, while immigrants and asylum seekers from other countries were processed and released to await their court dates. (Only those with criminal records were detained.) Most of those released, though, failed to appear for court hearings and removal proceedings, and the government didn't have the resources to go looking for them. So in 2006, the Immigration and Customs Enforcement (ice) agency ended its traditional "catch and release" policy and instead started incarcerating non-Mexican immigrants—anyone from a Salvadoran migrant to an Iraqi family seeking political asylum—pending their deportation or asylum hearings. Over the two years since, the agency has increased its use of detention facilities by more than half; it now holds some 30,000 people on any given day.

In this new population—and in ice's $1 billion-plus detention budget—cca saw opportunity. In 2004, when Congress passed legislation authorizing ice to triple the number of immigrant detention

beds,cca's lobbying expenditures reached $3 million; since then, it has spent an additional $7 million on lobbyists. Among them was Philip Perry, Vice President Dick Cheney's son-in-law, who later became general counsel at the Department of Homeland Security, ice's parent organization, which has awarded cca millions in contracts; one of them, in 2006, allowed the company to reopen the old Hutto prison, now christened a "residential facility" housing immigrant families, including small children.

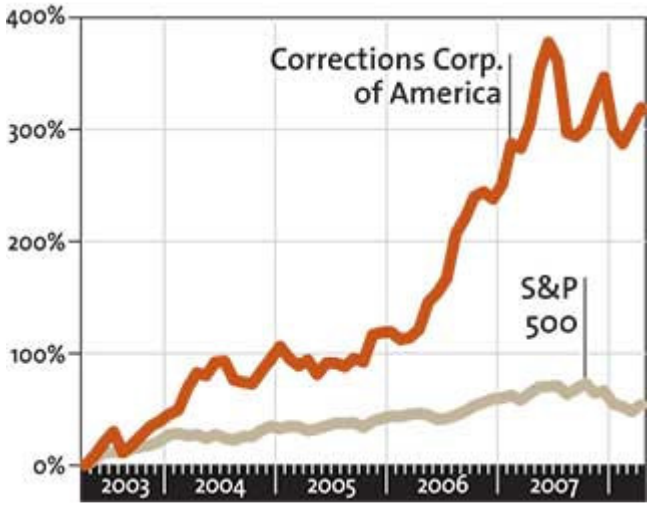
cca isn't the only firm lining up for ice contracts: There's so much money to be made warehousing immigrants that in 2006, Cornell Companies, a private prison firm, sent the state of Oklahoma an eviction notice for more than 800 state inmates housed in its facility in Hinton. The company was negotiating with ice to take in immigrants for more than the roughly $45 per diem that Oklahoma paid.

**MORE PRIVATE PRISONERS...**




**Source: Bureau of Justic Statistics**

## BEGET A KICK-ASS STOCK




**Source: Yahoo Finance**

State and local governments are also getting in on the action. In 2006, Willacy County, Texas, floated millions in bonds and, in 90 days, built a tent city for immigrants that it leases to ice for $78 a day per detainee. (A room at the local Best Western Executive Inn costs $65.) Run by the Utah-based Management and Training Corporation, a private prison management company, the camp houses up to 2,000 immigrants in a razor-wire-ringed compound holding 10 Kevlar tents of the sort used by troops in Iraq. Detainees have reported problems with heat and air conditioning, as well as maggot-infested food. The county has since approved another $50 million to add space for 1,000 more detainees.

Elsewhere, detention centers have been sued for providing inadequate health care, food services, and education. The aclu of Texas recently settled a lawsuit with ice over the conditions at Hutto for 26 children ages 1 to 17. According to the aclu, they were kept in cells 11 or 12 hours a day, forced to wear prison garb, fed "unrecognizable substances, mostly starches," and denied toys, bathroom privacy, and access to medical care.

According to the *Washington Post*, more than 80 people have died in ice detention, in many cases because of poor health care. The most famous case is that of Francisco Castaneda, a Salvadoran detained in San Diego for eight months. The government denied his request for a penile biopsy while

in detention, arguing that it was an "elective outpatient procedure." He was eventually found to have cancer. His penis was amputated, but the malignancy spread, and he died last year.

On average, ice pays $95 a day per immigrant that it detains, yet research indicates that other, far cheaper, methods can work almost as well in making sure immigrants show up in court. Back in the late 1990s, the agency asked the nonprofit Vera Institute of Justice to run a pilot project under which people facing deportation got intensive supervision and connections to social service agencies. More than 90 percent appeared for their hearings—partly, the institute said, thanks to better information about the process. Intensive supervision costs an average of $14 per detainee per day, according to congressional testimony by Julie Myers, assistant secretary of Homeland Security. Yet in fiscal 2007, ice spent only about $44 million on alternative programs, compared with roughly $1.2 billion on detention—and legislation sponsored last year by representatives Heath Schuler (D-N.C.) and Tom Tancredo (R-Colo.) in the House would authorize the agency to develop another 8,000 detention beds, which must be provided by private contractors such as CCA "whenever possible."

CCA, meanwhile, is contributing to the detention boom in its own small way: Last year, after inspecting the Hutto center's personnel records, ice officials arrested 10 workers—illegal immigrants themselves.

*Stephanie Mencimer is a staff reporter in* Mother Jones' *Washington bureau. For more of her stories, click here*